THE BOOTS COMPANY

REPORT AND ACCOUNTS
for the year ended 31st March 1991

THE BOOTS COMPANY PLC: GROUP HIGHLIGHTS

for the year ended 31st March 1991

	1991 £m	1990 £m	% change on 1990
Turnover	**3565·3**	3381·4	+5·4
Profit on ordinary activities before taxation	**358·4**	358·0	+0·1
Profit attributable to shareholders	**264·1**	243·9	+8·3
Capital expenditure	**164·8**	151·1	—
Research and development	**53·7**	49·0	—
Earnings per share	**24·9p**	25·5p	−2·4
Dividends per share	**11·6p**	11·0p	+5·5

CHAIRMAN'S STATEMENT

Despite the harsh economic climate, which particularly affected the UK retail sector, our turnover rose 5·4% to £3,565·3 million and profits before tax rose by 0·1% to £358·4 million.

Earnings per share were 24·9 pence. The Directors have recommended a final dividend of 7·5 pence per share, to make a total of 11·6 pence per share for the year—an increase of 5·5%.

In the past year, the recession has spread to most of the western world, the UK is faring relatively poorly and retail sales have been depressed. As a company whose interests lie in large part in the UK retail sector, Boots cannot hope to escape completely the effects of this. In these conditions, I believe that the company has produced a highly creditable performance.

The performance of Boots The Chemists was outstanding. The management and staff have made the stores, systems, products and service the best in the field and clearly this is reaping rewards.

The Board is continuing to pursue the long-term strategy we have established which is designed to ensure that growth in profits will be sustained through the 1990s. It is less than two years since we acquired a group of retail businesses which had growth potential but a range of varied problems.

Among the businesses we have retained, A G Stanley is performing very well and in Halfords, which has suffered from the drop in discretionary spending, it

CHAIRMAN'S STATEMENT—continued

has been a year of great activity. We have now restructured Halfords to focus on its markets, strengthened management and put in motion many new marketing initiatives in preparation for the economic upturn.

Since Payless and Do It All were merged (August 1990) in a joint venture with W H Smith there has also been a tremendous amount of hard work and the new Do It All trading format will be launched this summer.

I am confident that we have made the right plans and taken the necessary measures to ensure that our new businesses will flourish and increasingly achieve their potential.

Boots Pharmaceuticals has passed an important milestone with the registration applications in major markets for its new drug Manoplax. I expect that in the foreseeable future it will begin making a significant contribution to the company's overall prosperity.

This is my first annual report as Chairman and I would like to take this opportunity to pay tribute to my predecessor, Robert Gunn, who retired during the year. His five years as Chairman saw Boots go from strength to strength. In his long service he made an invaluable contribution to the company. His many friends wish him well for the future.

I would like to thank our management and staff for their commitment, efforts and achievements in a particularly difficult year.

I have travelled extensively in the past year and have consistently found Boots to be a company with fine traditions and people of sterling quality. It is a company that respects its heritage but looks forward to the next challenge. It is a company that is caring, committed to its objectives and responsibilities, and strongly competitive at the same time—a company for the 1990s.

Christopher Benson.

Sir Christopher Benson FRICS
Chairman

CHIEF EXECUTIVE'S REVIEW

Profits of the company increased despite a harsh economic environment through a first class performance from management and staff. Profit before tax was £358·4 million, just ahead of last year.

Our long-term strategy, which is to concentrate on businesses that are leaders in their field and have the potential for growth in both market share and profitability, is unchanged. This year we have been able to concentrate on building up these businesses, which have reached different stages of their development but all of which show considerable promise for the future.

Boots The Chemists made an outstanding contribution, increasing profits by 20·4% to £228·8 million (1990 £190·0 million) on sales up by 4·0% to £2,360·6 million (1990 £2,268·9 million). This was a remarkable result in such adverse economic conditions.

We have shown at Boots The Chemists that by focusing clearly on the right business areas and continually seeking to add value we can produce impressive growth in mature markets. Boots The Chemists profits have risen consistently over the past four years by a compound annual growth rate of 24%.

Our newer retailing businesses have had a more difficult time, but I have been encouraged by the progress each one has made in strengthening its management and its market position, drawing on the expertise which is available in the group.

Halfords has been hit hard by the UK recession and the related decline in the car market approaching 25% and in the bicycle market of 15%. Our approach has been to reorganise the business in order to consolidate our leading position in markets of enormous potential in the medium term. We have changed Halford's operational structure so that there are now three separate business sectors—High Street stores, Superstores, and Service Centres. Each of these now has its own discrete team of managers who can focus on a single business.

We have carried out extensive research on the High Street stores, which had been somewhat neglected in the drive to open

CHIEF EXECUTIVE'S REVIEW—continued

Superstores. They are now being revitalised with a new format that provides easier shopping and is more attractive to customers, especially women. We are adding new ranges to the Superstores to take full advantage of the selling space available. In the Service Centres, we have strengthened management and radically changed operating systems. All of this activity has begun to produce results and I am confident that in Halfords we have a business capable of first rate returns when the market improves.

The transfer of Boots systems and focused management is already bearing fruit at A G Stanley, the UK's leading home decorating specialist and Boots third largest retailing business. Its new strength in management and marketing has enabled A G Stanley, like Boots The Chemists, to prosper in spite of the economic downturn, increasing profits to £9·5 million on sales of £114·8 million.

The new Do It All organisation formed last August through the merger of our Payless DIY and W H Smith's subsidiary Do It All has, in common with the rest of the industry, been badly affected by the recession. On the positive side it has been a year of great activity and the summer will see the launch of pilot stores with new merchandise, and new and attractive layouts, which will differentiate Do It All from other DIY retailers.

A comprehensive revaluation of the company's property portfolio has not been carried out. However, the market value of a sample of properties, which were professionally valued in 1989, has been reassessed by internal professional staff. Whilst this showed an average fall of around 15% of 1989 valuations, no adjustment has been made in the accounts as the drop is not expected to be permanent.

Boots Properties is taking a measured approach to the property market in the current depressed economic climate. We are applying rigorous criteria in selecting our investment and development projects to ensure that they create real value for the company. The division continues to play a strong role in the company and we were able to increase profits by 10·5% to £60·1 million (1990 £54·4 million).

Boots Pharmaceuticals has achieved another year of steady growth, producing profits up 3·6% to £115·1 million (1990 £111·1 million) on sales up 7·7% to £628·8 million (1990 £583·8 million), despite higher expenditure on research and development. We have submitted registration applications for Manoplax, our new treatment for congestive heart failure, in key markets—notably the US, UK and major continental European countries. Similar action will follow shortly in Japan.

In the past year we have shown that well focused and well managed retailing businesses can be resilient to lower consumer expenditure. Boots The Chemists, one of the UK's premier retailers, has done well and will continue to do well. In our other retailing businesses we have either already achieved good results, or laid the foundations for improvement when there is an economic upturn. Boots Pharmaceuticals is a very healthy business with the potential for rapid growth from new prescription products.

We view the current retail market with caution and we are controlling our cost base accordingly. Looking forward, with our strong cash flow we will continue to invest in all our businesses, strengthening a portfolio with ample opportunities for growth. The task ahead of us is to apply our management skills to ensure that all the opportunities are fully realised.

James Blyth

Sir James Blyth
Chief Executive

THE COMPANY TODAY

BOOTS THE CHEMISTS DIVISION

Year ended 31st March 1991	£m
Sales	2360·6
Profit before tax	228·8

Boots The Chemists became a separate division in November 1989.

There are 1,069 stores with a total sales area of 497,000 square metres.

The division is managed through two principal chains:

There are 830 'Small Stores' with a sales area per store of up to 600 square metres. These concentrate on the core areas of health and beauty.

'Large Stores' total 223 with sales area per store of up to 4,300 square metres. In addition to health and beauty, Large Stores also include sound vision, cookshop, leisure and home merchandise.

There are also 16 free-standing Photo Centres.

Boots The Chemists is market leader in many areas of its business including healthcare, cosmetics, toiletries, baby consumables, films and film processing.

RETAIL DIVISION

Year ended 31st March 1991	£m
Sales	681·2
Profit before tax	27·3

Retail Division encompasses the following retail businesses:

Boots Opticians The second largest chain of opticians in the UK, with 313 practices.

Childrens World An edge-of-town operation with a wide range of children's products from toys to clothing, currently with 25 stores.

Halfords The largest retailer of car parts and accessories and bicycles. Halfords is also the largest car servicing organisation in the country. Currently there are 266 High Street and 169 out-of-town Superstores.

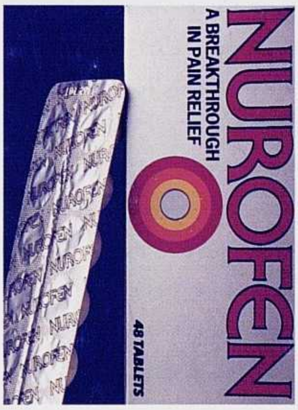
A G Stanley The largest retailer of home decorating materials through FADS with 356 stores. A new development of Homestyle by FADS includes home enhancement products, currently with 60 stores.

Overseas Retail Sephora in France—perfumery and cosmetics retailing with 38 stores.

Do It All A 50/50 joint venture company with 234 stores formed by merging Payless DIY and W H Smith's Do It All.

PHARMACEUTICALS DIVISION

Year ended 31st March 1991	£m
Sales	628·8
Profit before tax	115·1



The division researches and develops, manufactures and markets prescription pharmaceuticals, and consumer products.

The major products are:
Ibuprofen Prescription pharmaceutical (Brufen). Over-the-counter (Nurofen).
Flurbiprofen Prescription pharmaceutical (Froben).
Dothiepin Prescription pharmaceutical (Prothiaden).
Levothyroxine US prescription pharmaceutical (Synthroid).

A range of over-the-counter consumer products including Strepsils, Dequadin, Sweetex, Optrex, Mycil, E45 and Farley.

A wide range of products is developed and manufactured for Boots The Chemists.

There are four manufacturing sites in the UK, and 20 overseas companies many of which have their own manufacturing units.

PROPERTY DIVISION

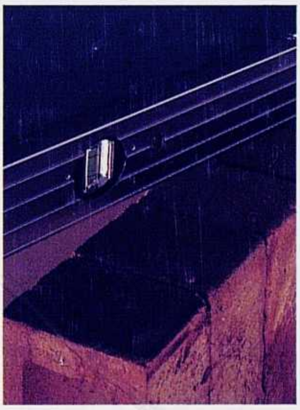
Year ended 31st March 1991	£m
Profit before tax	60·1

Formed in April 1989 to optimise returns from the company's substantial UK property portfolio.

The division is a profit centre charging rent to all tenants, including Boots The Chemists, Retail and Pharmaceuticals Divisions.

The division actively manages disposals and investments to improve the value of the property portfolio.

Development profits will be generated initially from retail schemes, and a number of commercial and industrial opportunities have also been identified.



BOOTS THE CHEMISTS DIVISION

Gordon Hourston
Managing Director

In spite of the harshest retail trading conditions for many years, Boots The Chemists profits increased by 20·4% to £228·8 million (1990 £190·0 million) on sales up by 4·0% to £2,360·6 million (1990 £2,268·9 million).

Our concentration on Boots The Chemists key markets continues to produce results through record levels of productivity, developing added-value merchandise, improving customer service and refitting our stores.

Healthcare remains at the heart of Boots The Chemists and we have continued to improve the service we offer. We introduced redesigned pharmacy layouts and displays with open shelves for certain categories of medicines where customers can make their own choice. We devised a new, more efficient pharmacy system for patient records and automatic stock replenishment and began rolling it out.

We made rapid progress in the development of our residential homes supply business, so that over 2,000 homes now enjoy the benefits of our monitored dosage system. We support the view that community pharmacy should be more active in providing primary health care, in parallel with the evolving role of general practitioners. To this end we are experimenting in a number of stores by offering services such as cholesterol testing, general health screening and chiropody.

Our Food business is closely linked with our healthcare heritage and it goes from strength to strength, supported by a major investment this year in a new distribution system which ensures that food is kept at the correct temperature from the suppliers to our stores. Our Shapers brand, which provides a range of healthy food, drinks and sweeteners reached sales of £18 million and it now accounts for more than a quarter of our lunchtime sandwiches.

Boots The Chemists is the UK's largest outlet for baby foods, toiletries and nappies. In our baby clothes departments, an improved stock management system allowed us to increase both stock turn and profit.

In our Beauty business, we improved our cosmetic, fragrance and skincare offerings and made selective introductions of new fixtures and fittings. We introduced new ways of providing point of sale information about sun protection and lenses for sunglasses, which enabled us to gain market share and increase sales in the hot summer.

We believe that consistent investment in new Boots brand products will keep us ahead of our competitors. Last year we invested over £1 million in new product design in our Personal Care business alone. Our Natural Collection range, which is now sold through 600 stores, increased sales by 50%, and Skincare and Haircare ranges also performed very well.

The market for film processing declined yet our Photocentre business achieved a satisfactory increase in net profit. We now operate 370 minilabs and our one-hour processing service accounts for nearly 40% of their turnover. In July we launched a new Boots brand 200 ASA film which was acclaimed by the specialist press.

Our Soundcentre business suffered from the difficult market conditions, but sales of recorded videos grew substantially. Our Cookshops showed promise of a revival by the end of the year, following a programme of new product launches and departmental redesign, which we piloted in Nottingham, Watford and Derby.

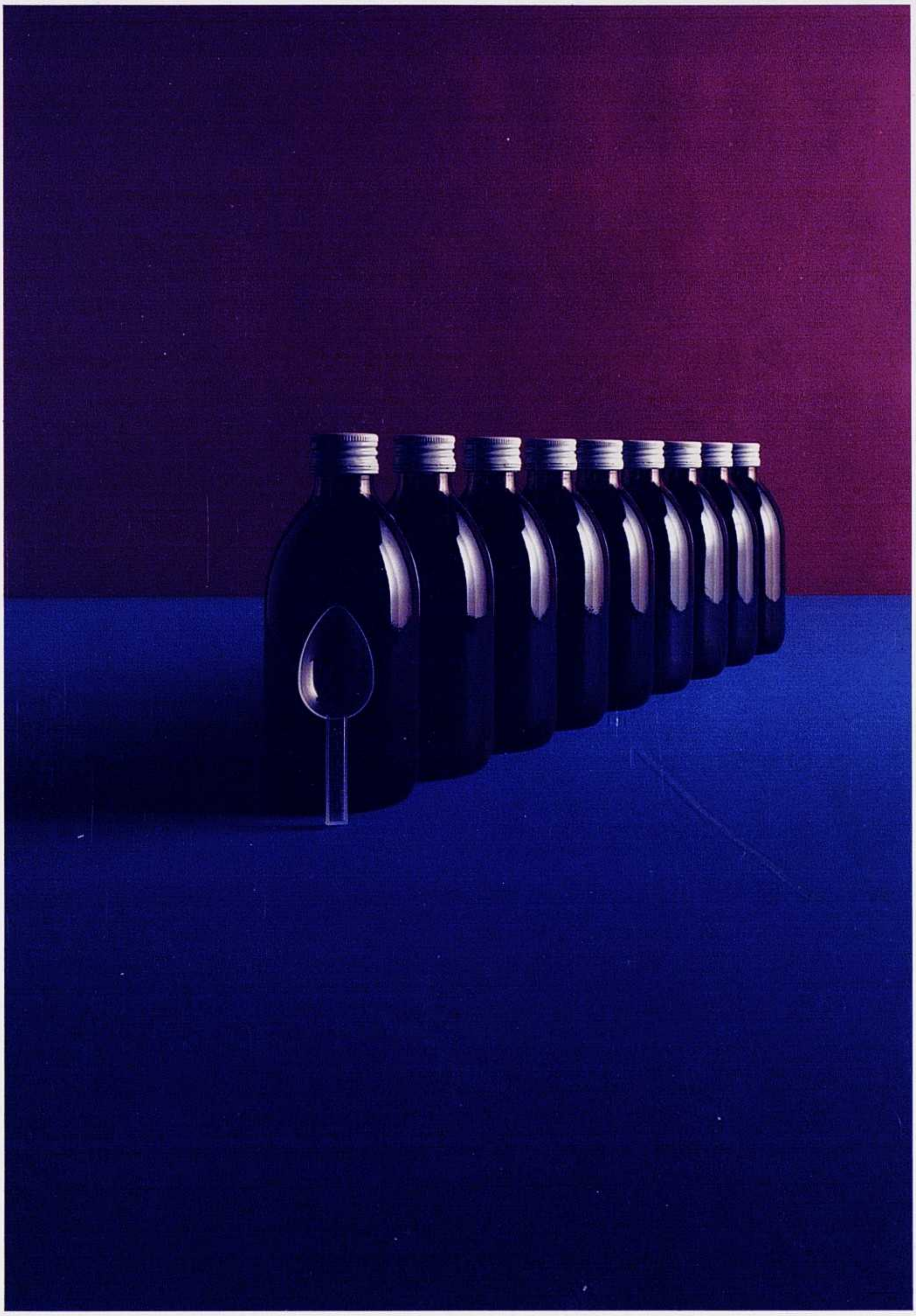
We have now created an integrated and attractive shopping environment on our secondary floors through the combination of our new Gift Shops in 47 large stores with our redesigned Cookshops, Stationery Departments and Sound Vision Departments.

We made rapid progress in ensuring that as many stores as possible present our latest retailing formulas. We have now upgraded most of our small store chain. We opened major new stores in Aberdeen, Grimsby, Wigan, Torquay, Thurrock and Watford, the store which exemplifies our current best practice. And we opened non-pharmacy Health and Beauty stores in Enniskillen and Belfast.

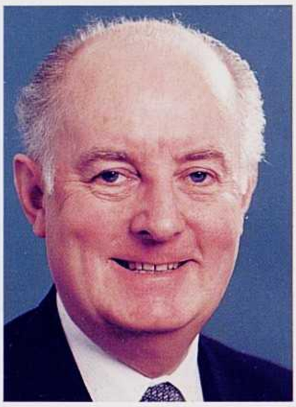
BOOTS THE CHEMISTS DIVISION—continued

We are determined to control our costs without sacrificing our high standard of customer service. For example, we have agreed flexible contracts with store staff, which guarantee a certain number of hours work each week but give us the option to increase the number of hours. This means we can schedule the number of staff in each store to match changes in customer traffic through the store. In this way we can both keep staff costs to the minimum necessary and avoid queues at peak times. In both the large and small store chains we have been able to rebalance space between departments to maximise sales and profitability as a result of our highly developed information systems.

We are continuing to invest in electronic point of sales (EPOS) equipment and by 31st March 1991 we had installed almost 9,700 scanning tills in 570 stores. The introduction of new stock replenishment systems, also built mainly on EPOS data, is now well advanced and these systems are already contributing to our profitability.



RETAIL DIVISION



Keith Ackroyd
Managing Director

Poor trading conditions in Halfords adversely affected the overall performance of the Retail Division. Profits were £27·3 million on sales of £681·2 million. However, many of our businesses continued to do well and we have acted to restore the others to full health.

Boots Opticians In an excellent year, Boots Opticians virtually doubled its net profit to £4·0 million. Sales benefited from a steady recovery in the market since the abolition of universal free sight-testing caused it to slump in 1989. We gained market share by consistently providing an outstanding professional service and continuing to update our practices. We also benefited from the successful conversion of the acquired Miller and Santhouse practices to the Boots Opticians format.

We introduced throughout the chain a computer database for customer records, which now includes 4·5 million people.

We opened our first super-optical unit in Nottingham in April 1991. Customer response to our superior choice of frames, one-hour service and comprehensive optical health screening has been very encouraging and we plan to open more super-optical practices this year.

Childrens World Having developed a new compact format for Childrens World, we were able to open seven outlets in smaller conurbations during the year. Early sales results are promising in view of trading conditions, which are particularly poor for fashion retailers.

Our 18 larger stores had a very successful year with an excellent performance at Christmas. They produced a sales increase of almost 16% over the previous year, with several stores showing growth of over 25%. This is substantially ahead of the market average and enabled us to expand our share of the large market for children's merchandise.

Halfords Halfords is especially vulnerable to the market downturn, resulting in reduced profit of £2·8 million on sales of £290·1 million. The dramatic drop in new car sales and the end of a three-year boom in bicycles led to very depressed market conditions, particularly in the second half of the year.

However, we have taken swift action to improve profitability:

- We put in place a new management structure with separate teams for the three business sectors—High Street stores, Superstores, and Service Centres. This will enable us to concentrate on producing the best results from each sector with their different business opportunities.
- The High Street stores had been neglected in the drive to open Superstores. There was little investment and the best management and staff were diverted to the Superstores. After carrying out extensive market research, we are testing the new format in eight High Street stores. They use the latest fascia and different merchandising inside so that the stores provide easier shopping and are more attractive to customers, especially women.
- The original specification for Superstores involved little more than spreading out the merchandise from a High Street store in a much larger space. In a number of pilot stores we will be reducing the space given to existing merchandise and adding new ranges such as cycling and car clothing, caravan equipment and specialist tools, with the aim of increasing space productivity and creating a distinct Superstore format.
- We have changed the operation of the Service Centres by revising the booking-in system and labour management system. These changes have already brought in substantial extra business and they are being rolled out to all Service Centres.

Our core markets are large-scale and we believe that the changes we have in hand will ensure that Halfords can both improve its current performance and take full advantage of a recovery in the economy.

A G Stanley Despite the depressed decorative market, A G Stanley increased sales to £114·8 million and increased market share. Profits increased to £9·5 million, up 34% on a comparative basis.

Following a successful pilot in the Granada TV region, we expanded the Homestyle by FADS chain of home enhancement stores to 60 outlets and we plan to open 20 more in 1991.

RETAIL DIVISION—continued

The majority of Homestyle by FADS stores are on retail park or edge-of-town sites, while FADS The Decorating Specialist continues to lead on the High Street.

Our core decorative ranges and new co-ordinated fashion ranges are performing well in Homestyle by FADS and by refitting and remerchandising our medium-sized FADS High Street outlets, we produced good increases in sales per square foot and gross margin. Our own brand share rose by 8 percentage points to 38%.

Overseas We decided to dispose of our retail interests in New Zealand because the opportunities for expansion were limited and all stores ceased trading by 31st December 1990.

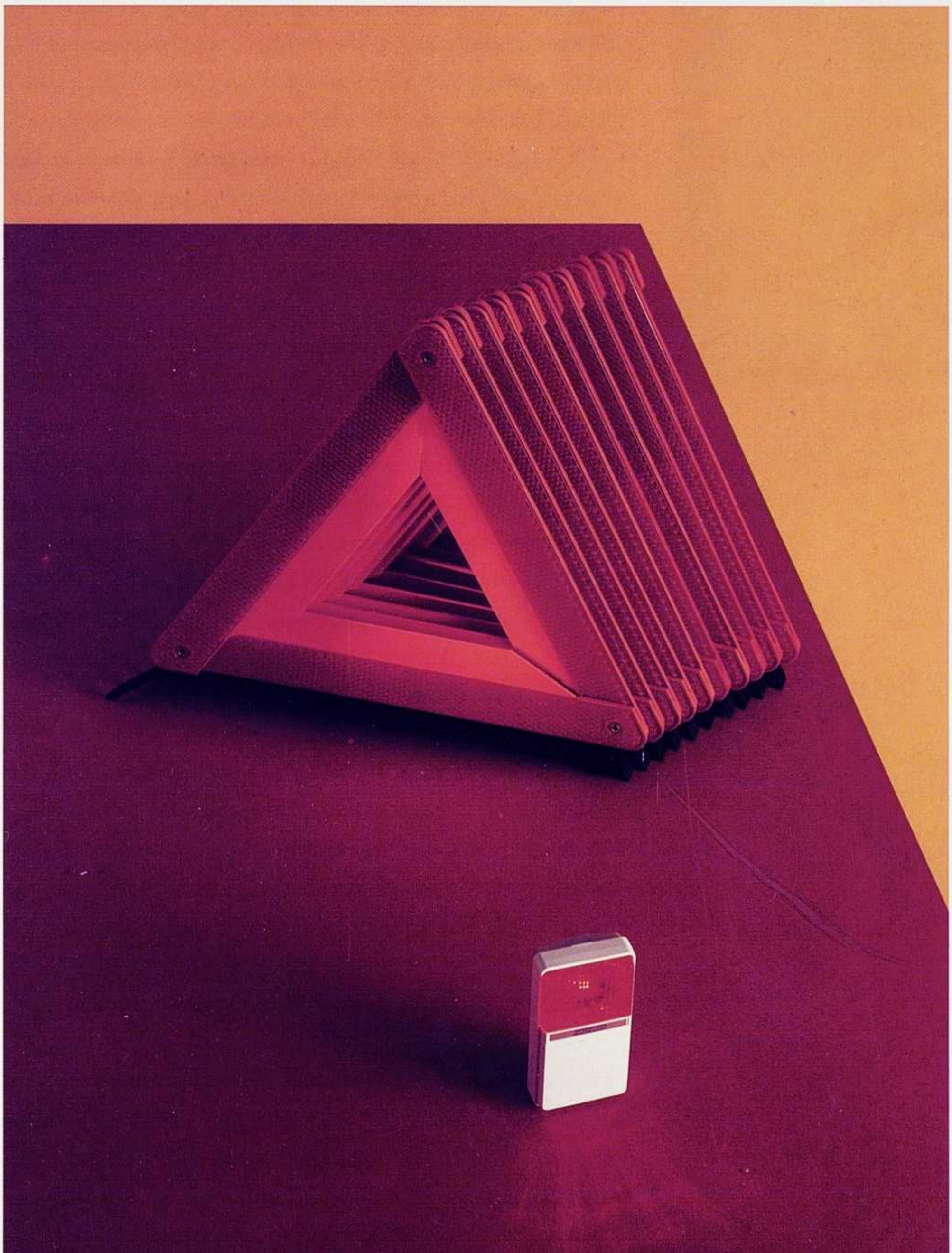
In France, Sephora increased sales by 4·2% in a depressed market, especially for fine fragrances. The chain made a small profit despite the cost of opening two new stores in Caen and Strasbourg and investments in EPOS and supply systems. In October Sephora successfully launched the Boots 17 cosmetics brand in France.

Do It All Ltd In August 1990 we merged Payless DIY and W H Smith's subsidiary, Do It All, to form a new joint venture company in which Boots and W H Smith each has a 50% stake.

The merger has meant a year of great change for the joint venture company, Do It All Limited. It closed the Payless Head Office in Sevenoaks, combined the two management teams into one and made staff productivity gains in the stores. These measures significantly reduced its cost base.

Do It All renegotiated suppliers' terms and conditions and changed the trading name of all Payless stores to Do It All before the crucial Easter advertising campaign. The business now has 234 outlets, including 12 stores which opened during the year, placing us second in the DIY market.

This joint venture has now settled down well and is progressing plans to develop new merchandise ranges and to change the design of the trading format.



PHARMACEUTICALS DIVISION

Dr Eric Cliffe
Managing Director

Boots Pharmaceuticals continued to show steady growth in both sales and profit, with sales up 7·7%, to £628·8 million (1990 £583·8 million) and profits up 3·6%, to £115·1 million (1990 £111·1 million).

In the UK, Crookes Healthcare improved its already strong position in the consumer health care and nutrition markets, increasing sales by 25%. Nurofen continued to lead the OTC analgesic market and we launched Nurofen Soluble in the second half of the year.

The E45 range of skin preparations made a major contribution to profits, assisted by the introduction of a technically advanced sunscreen range, Sun E45. Farley product sales grew by 45% and we added ten new flavour variants to our Lunch and Tea-Timers range of infant cereal products. Crookes Healthcare acquired a number of valuable new brands from Medeva, including Dequadin, a preparation for sore throats, Mycil, the leading treatment for athlete's foot, and Nylax, a laxative preparation.

The UK prescription medicine market continues to be depressed by the increase in generic prescribing and by parallel imports from mainland Europe. This has affected our scope for growth in the UK but the introduction of line extensions of Brufen and Froben will help us to correct the position.

In North America Boots Pharmaceuticals Inc, our wholly owned US subsidiary, had another good year. Its major product, Synthroid, a treatment for thyroid insufficiency, increased dollar sales by 27%. Almost two-thirds of this increase came from tablet volume.

Our sales of finished ibuprofen tablets to Whitehall Laboratories ended in 1989 when their own production came on stream, although we are still supplying them with ibuprofen raw material. Upjohn's success with their flurbiprofen product produced a welcome increase in licence income.

Boots Pharmaceuticals' international business outside North America increased sales by more than 23%. Sales to Japan, particularly of flurbiprofen, rose by 61%.

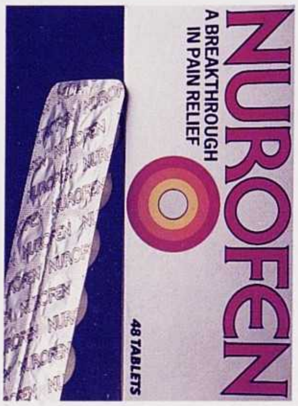
Our European companies' sales increased by 20%, including a good performance in France, in Italy, from the further development of Boots Italia formed during the last financial year, and in the Netherlands where sales doubled. By completing the integration of our newly acquired Dutch consumer health care business, Roter, we became the Netherlands' leading consumer health care company.

The two major prescription pharmaceutical products developed by Boots research for the treatment of arthritic and other inflammatory conditions—ibuprofen (Brufen) and flurbiprofen (Froben)—are facing increasing competition in the market, particularly from ibuprofen generic drugs. We are combating this with considerable success through line extensions and in the past year we made the following advances:

- The delivery of flurbiprofen through a poultice applied to the affected part of the body proved an outstanding success in Japan, and we have obtained exclusive rights to this novel patented formulation in important new markets.
- The once-per-day capsule of Froben produced sales growth.
- The launch programme for Brufen Retard, a once-per-day formulation of ibuprofen, is well underway. It is now marketed in UK, Sweden, Denmark, Switzerland and Republic of Ireland.
- We developed a very fast-acting formulation called Brufen Effervescent, which is now available in five European markets including the UK and has already been successful in Italy.
- We are expanding our flurbiprofen plant at Cramlington to meet rising demand, including topical applications marketed in Japan.

Research and Development We have submitted dossiers on Manoplax, our new cardiovascular agent for the treatment of congestive heart failure, for marketing approval in several countries, including the US (October), UK (November) and major European markets. Our licensee, Otsuka Pharmaceuticals, plans to apply soon for marketing approval in Japan.

PHARMACEUTICALS DIVISION—continued

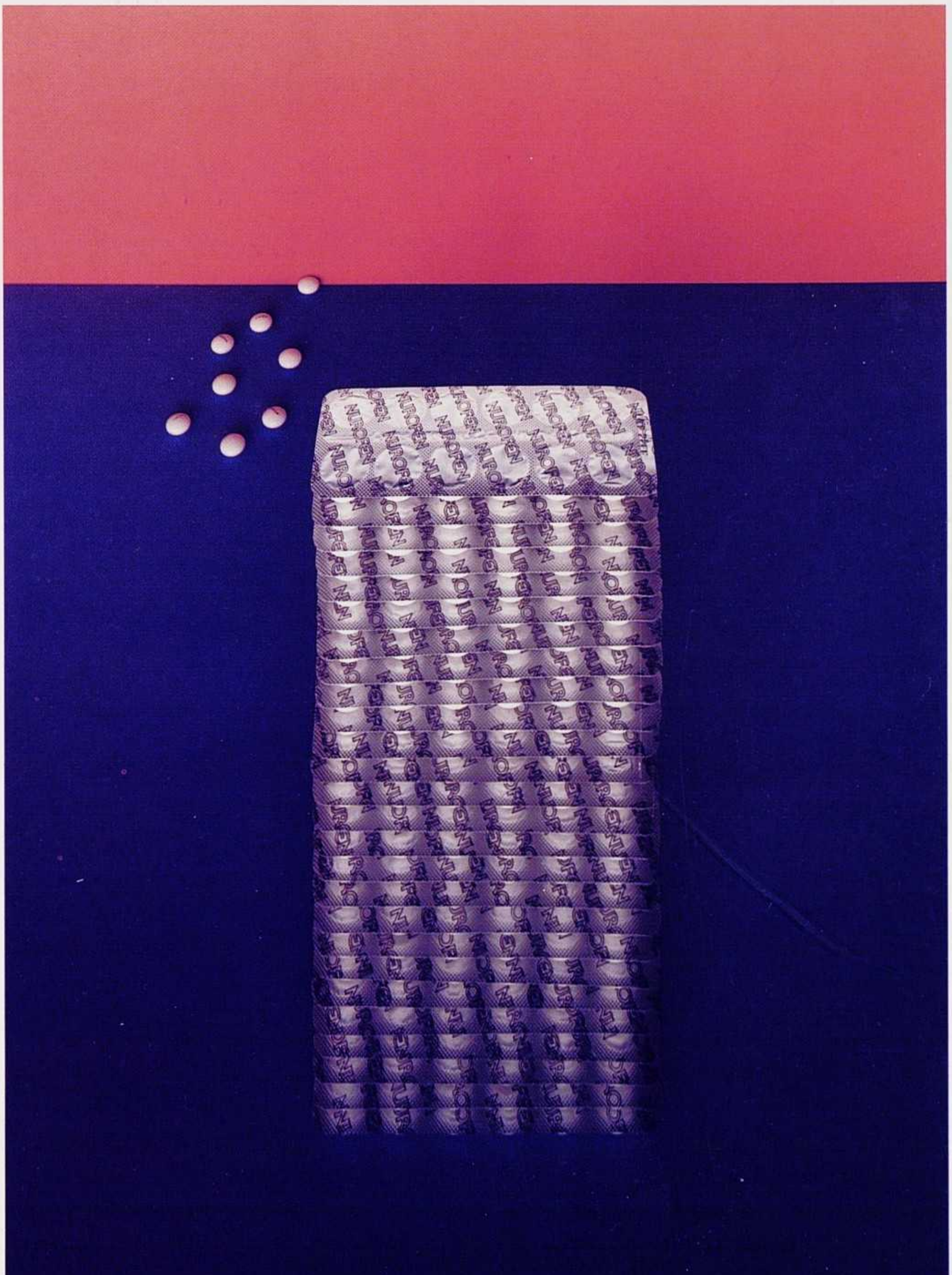


We are also well advanced with the preparation for marketing the product. In Germany, which is potentially the third largest market for Manoplax, we have signed a co-marketing agreement with Astra, the leading cardiovascular company in Germany. We will decide soon on a joint marketing partner in the US.

As part of our plans for the production of flosequinan, the active ingredient of Manoplax, we are increasing the initial production capacity at our Cramlington factory.

The planned programme of clinical work to assess the efficacy and safety of our new antidepressant, sibutramine (BTS 54 524), is in progress. Pilot studies to evaluate its potential in the treatment of obesity have given encouraging results.

A new agent, BTS 67 582, for lowering blood glucose in non-insulin dependent patients with diabetes, has reached the stage of first studies in humans. BTS 63 155, an immunosuppressant compound which may be useful in a variety of clinical conditions related to the immune system, is at a late stage of preclinical development.



PROPERTY DIVISION

Mike Ruddell
Managing Director

Boots Properties increased profits by 10·5% to £60·1 million (1990 £54·4 million).

Despite extremely difficult conditions in the property market throughout the year, we achieved a number of important successes, enhancing the quality and value of our property investment and development portfolio.

Our approach has been to constrain our development activity but to take the opportunity to purchase a number of retail properties at attractive prices as long term investments. Accordingly we spent £40 million on property purchases last year, almost double our previous year's expenditure.

We released some £20 million by sale of assets which did not meet our investment criteria. Significant disposals included the former Boots The Chemists store in Aberdeen, an investment property in Maidstone and sale and leasebacks at Ormskirk, Newbury and Truro.

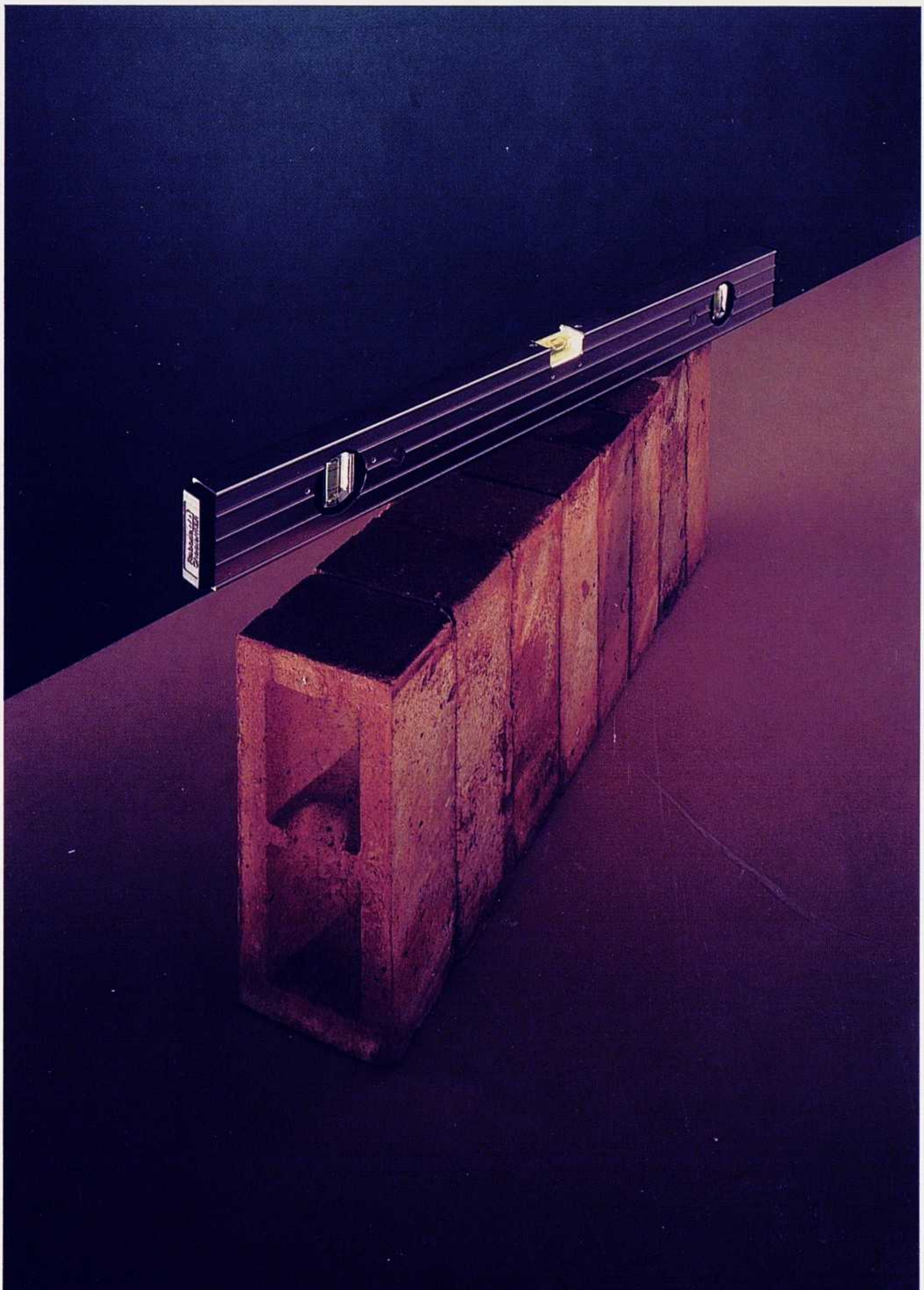
Boots Properties continued to support the operations of our other Divisions by investing in retail and office premises for their occupation.

We made major investments in Watford, where we acquired a new store for Boots The Chemists, and in Southampton and Lincoln where we acquired the freehold interest of our retail premises.

We recently acquired a site at Castle Meadow in Nottingham to create a retail park where two Boots businesses will be represented. This scheme will be completed and tenants will begin trading in the current financial year.

We have proceeded cautiously with our development programme, realising a small surplus of £0·2 million during the year. Rather than sell into a deflated market, we are holding completed developments in Liverpool and Salisbury, both of which are generating income.

We initiated new developments in Glasgow and Saffron Walden and entered into a joint venture with Bryant Properties PLC to redevelop Sidcup town centre. We are negotiating a number of other potential joint ventures.



BOARD OF DIRECTORS

Sir Christopher Benson,
Chairman
Sir Christopher, 57, became a director in April 1989. He is Chairman of MEPC, previously Managing Director from 1976 to 1988. He is also Chairman of The Housing Corporation and a Vice Chairman of Sun Alliance & London Insurance.

Sir James Blyth, *Chief Executive*
Sir James, 51, joined the company and the board in October 1987 as Chief Executive, after previous appointments as Group Managing Director of The Plessey Company, and Head of Defence Sales at the Ministry of Defence. He is a non-executive director of British Aerospace.

K Ackroyd, *Managing Director, Retail Division*
Keith Ackroyd, 56, joined the company in 1952 and became a director in 1979. He is a Fellow of the Royal Pharmaceutical Society of Great Britain and Chairman of the British Retailers Association. He was appointed Managing Director of Boots The Chemists in 1983. He took up his present position in 1984.

E E Cliffe, *Managing Director, Pharmaceuticals Division*
Eric Cliffe, 58, joined the company in 1959 and became a director in 1979. He has a D.Phil degree and is a Fellow of the Royal Society of Chemistry and of the Institute of Biology. He took up his current position in 1983.

* **P J Davis**
Peter Davis, 49, became a director in May 1991. He is Chairman and Chief Executive of Reed International. Before joining Reed International as Deputy Chief Executive in 1986, he spent 10 years with J Sainsbury where he became Assistant Managing Director with responsibility for all buying and marketing operations.

A H Hawksworth, TD, DL
Personnel Director
Alan Hawksworth, 55, joined the company in 1959 and became a director in 1984. He was previously Director of Personnel, Pharmaceuticals Division. He is a Fellow of the Institute of Personnel Management.

G M Hourston, *Managing Director, Boots The Chemists Division*
Gordon Hourston, 56, joined the company in 1958 and became Personnel Director on his board appointment in 1981. He is a Fellow of the Royal Pharmaceutical Society of Great Britain. He became Deputy Managing Director of Boots The Chemists in 1984 and became Managing Director in June 1988.

* **A B Marshall,** *Vice Chairman*
Sandy Marshall, 66, became a director in 1981 and Vice Chairman in 1985. He was Chairman of Commercial Union Assurance Company from 1983 to 1990, and is Chairman of the Maersk Company and of Royal Bank of Canada (Holdings) UK. He is a director of Royal Bank of Canada.

* **The Rt Hon Sally The Baroness Oppenheim-Barnes of Gloucester**
Sally Oppenheim-Barnes, 60, who became a director in 1982, was a Member of Parliament from 1970 to 1987 and Minister of State for Consumer Affairs from 1979 to 1982. She was Chairman of the National Consumer Council from 1987 to 1989 and is a non-executive director of Fleming High Income Investment Trust and HFC Bank.

* **I M G Prosser**
Ian Prosser, 47, became a director in 1984. He is Chairman and Chief Executive of Bass and is a director of Lloyds Bank. He is a Chartered Accountant.

* **Sir Peter Reynolds, CBE**
Sir Peter, 61, became a director in 1986. He is Deputy Chairman of Ranks Hovis McDougall and Avis Europe and a director of Guardian Royal Exchange Assurance, Nationwide Anglia Building Society and Pioneer Concrete (Holdings).

T G Richardson,
Marketing Director, Pharmaceuticals Division
Terry Richardson, 54, joined the company in 1971 and became a director in 1983. His responsibilities now include marketing, UK sales and overseas businesses outside North America.

M F Ruddell, *Managing Director, Property Division*
Mike Ruddell, 47, joined the company in 1966 and became a director in 1984. In 1986 he became Large Stores Director with responsibilities including merchandise and buying within Boots The Chemists. He took up his present position in June 1988.

G R Solway, *Director, North America Pharmaceuticals Division*
Gordon Solway, 54, joined the company in 1961 and became a director in 1979. An economist, he joined the Pharmaceuticals Division in 1983 with responsibility for production and other services. He took up his present position in 1986. He is based in Illinois, USA.

D A R Thompson,
Finance Director
David Thompson, 48, joined the company in 1966 and became Finance Director on his board appointment in July, 1990. He became Retail Division Finance Director in 1980 and Group Financial Controller in 1989. He is a Chartered Accountant.

*Non-Executive Directors

Registered office
Nottingham, NG2 3AA

Registered number
27657

Auditors
KPMG Peat Marwick McLintock

Bankers
National Westminster Bank PLC
Barclays Bank PLC

Registrars and transfer office
National Westminster Bank PLC,
Registrar's Department,
P.O. Box 82,
Caxton House,
Redcliffe Way,
Bristol BS99 7NH

Board Audit Committee
P J Davis
I M G Prosser
Sir Peter Reynolds

Board Remuneration Committee
Sir Christopher Benson
Sir James Blyth
P J Davis
A B Marshall
The Baroness Oppenheim-Barnes
I M G Prosser
Sir Peter Reynolds

Secretary
I A Hawtin

DIRECTORS' REPORT

The directors of The Boots Company PLC present their annual report to shareholders, together with the audited accounts for the year ended 31st March 1991.

Principal activities

The group's worldwide trading is conducted through four divisions. The principal activities of the Pharmaceuticals Division are the research, manufacturing and marketing of pharmaceutical and consumer products, whilst the Boots The Chemists Division operates the group's retail chemists business. All other retailing activities including autoparts, DIY, opticians and children's merchandise are carried on in the Retail Division. The Property Division manages and develops the group's UK property portfolio. A review of group activities by the Chief Executive is shown on pages 6 to 9.

Group results

The group profit and loss account for 1991 shown on page 30 includes the following details:

	£m
Turnover	**3565·3**
Profit on ordinary activities before taxation	**358·4**

Appropriations

The directors recommend the payment of a final dividend of 7·5p per share which, if approved by shareholders, will be paid on 22nd August 1991 to shareholders registered on 27th June 1991. When added to the interim dividend of 4·1p already paid, this makes a total dividend for the year of 11·6p per share (1990 11·0p per share). Payment of these dividends requires £114·3m (1990 £107·8m), leaving £149·8m (1990 £136·1m) retained in the business.

Group structure

In June 1990 the US autoparts businesses, acquired in 1989 as part of the Ward White Group plc acquisition, were sold. In August 1990 Payless DIY and W H Smith Do It All were merged to form a new joint venture called Do It All Limited in which the group has a 50% interest. The group has also taken a majority holding in the Yugoslavian company, purchased a consumer healthcare business in The Netherlands and disposed of its retailing business in New Zealand.

With effect from 1st April 1990 Boots Pharmaceuticals Limited, a company incorporated in India in which the group has a participating interest and over which it exercises a dominant influence, has been consolidated as a subsidiary undertaking.

Share capital

Details of shares issued during the year are shown in note 19 on page 45.

At the annual general meeting on 26th July 1990, shareholders authorised the company to make market purchases of its own ordinary shares of 25 pence each. The authority is limited to the purchase of not more than 10% of the ordinary shares in issue at the date of the purchase; the maximum price payable is 105% of the average of the middle market quotations for the 10 business days before the purchase, with a 25 pence minimum, exclusive of any expenses payable by the company. There have been no purchases during the year. The authority expires at the end of the annual general meeting in 1991, when shareholders will be invited to renew it.

Shareholders

As at 1st June 1991 the register maintained by the company under Section 211 of the Companies Act 1985 contains notifications to the company that the Prudential Corporation group of companies holds 4·0% and Provident Mutual Life Assurance Association holds 3·0% of the issued ordinary share capital of the company.

Fixed assets

The majority of the group's non-specialised properties were professionally valued in early 1989 and such values are incorporated in the accounts. The market value of a sample of these properties has been re-assessed by internal professional staff. This has indicated an average shortfall of approximately 15% of the 1989 valuations. The directors are of the opinion that this reduction in value is not permanent and do not therefore consider that an adjustment is necessary to the valuation stated in the accounts.

Details of fixed assets are shown on pages 39 to 41.

DIRECTORS' REPORT

Staff

The company continues to involve staff in the decision-making process, through line management, a comprehensive structure of staff councils, and with trade unions where they represent staff. In addition *The Boots Company News*, which is published every six weeks, is sent to employees throughout the world. This is supported by an annual report to staff and a video presentation, in which the directors report on group results.

In the UK, staff involvement in the company's performance is encouraged through employee bonus and share schemes. The involvement of staff also extends to the board of Boots Pensions Ltd, on which there are four employee representatives. Many parts of the company have active quality teams, comprising members of management and staff, dedicated to improving the quality of products and services.

The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion or ethnic origin. The company does all that is practicable to meet its responsibility towards the employment of disabled people. Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative.

The training and re-training of staff is a high priority. Much of this training is on-the-job as well as by internal and external courses. The company has continued its support for Youth Training and has developed schemes recognised and approved by the new Training and Enterprise Councils.

Business in the Community

The company continues to support job creation through Business in the Community. The number of Local Enterprise Agencies to which the company gives financial and other support is now 113.

Charitable donations

Donations for charitable and educational purposes in the UK for the year were £1,003,000 (1990 £776,000). There were no political payments.

Directors

Details of directors are shown on pages 26 to 27.

On 30th June 1990, Mr P H Courtney resigned from the board on his retirement from the company and he was succeeded as Finance Director by Mr D A R Thompson who was appointed to the board with effect from 1st July 1990.

On 26th July 1990, Mr R N Gunn retired as Chairman and director of the company and he was succeeded as Chairman by Sir Christopher Benson.

Mr A B Marshall retires by rotation at the annual general meeting in accordance with Article 100 and does not intend to stand for re-election.

On 16th May 1991, Mr P J Davis was appointed as a director of the company. He retires at the annual general meeting in accordance with Article 107 and offers himself for re-election. Mr Davis has no service contract with the company.

No director had any interest, either during or at the end of the financial year, in any contract which was significant in relation to the group's business.

Details of the interests of the directors and their families in the share and loan capital of the company are shown in note 25 on page 49.

The company has maintained insurance for the directors against liabilities in relation to the company.

Company status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Auditors

It is proposed to re-appoint KPMG Peat Marwick McLintock as auditors and a resolution to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
6th June 1991
I A Hawtin
Secretary

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1991

	Notes	1991 £m	1990 £m
Turnover	2	**3565·3**	3381·4
Trading profit	3	**414·3**	386·5
Net interest	4	**(46·6)**	(26·9)
Servicing cost of convertible capital bonds	21	**(9·3)**	(1·6)
Profit on ordinary activities before taxation	2	**358·4**	358·0
Taxation on profit on ordinary activities	5	**(112·0)**	(112·6)
Profit on ordinary activities after taxation		**246·4**	245·4
Minority interests		**(1·9)**	(·6)
		244·5	244·8
Extraordinary items after taxation	6	**19·6**	(·9)
Profit for the financial year attributable to shareholders	7	**264·1**	243·9
Dividends	8	**(114·3)**	(107·8)
Profit retained		**149·8**	136·1
Earnings per share	9	**24·9p**	25·5p

Movements in reserves are shown in note 20 on page 46.

BALANCE SHEETS

31st March 1991

		Group		Parent	
		1991	1990	1991	1990
	Notes	£m	£m	£m	£m
Fixed assets					
Intangible assets	10	**56·9**	37·3	**9·4**	10·3
Tangible assets	11	**1520·4**	1513·9	**172·0**	163·0
Investments	12	**49·7**	3·5	**1012·6**	1122·6
		1627·0	1554·7	**1194·0**	1295·9
Current assets					
Stocks	13	**509·3**	532·8	**155·3**	157·0
Debtors	14	**261·9**	319·1	**483·6**	422·1
Investments	15	**134·4**	28·9	**1·7**	1·9
Cash at bank and in hand		**11·6**	5·2	**55·1**	·1
		917·2	886·0	**695·7**	581·1
Creditors:					
amounts falling due within one year	16	**(969·4)**	(994·0)	**(822·3)**	(709·6)
Net current liabilities		**(52·2)**	(108·0)	**(126·6)**	(128·5)
Total assets less current liabilities		**1574·8**	1446·7	**1067·4**	1167·4
Creditors:					
amounts falling due after more than one year	17	**(117·9)**	(123·4)	**(290·2)**	(287·5)
Provisions for liabilities and charges	18	**(23·9)**	(36·1)	**(4·6)**	(8·3)
		1433·0	1287·2	**772·6**	871·6
Capital and reserves					
Called up share capital	19	**246·2**	245·0	**246·2**	245·0
Share premium	20	**32·6**	22·0	**32·6**	22·0
Revaluation reserve	20	**545·0**	561·6	**—**	—
Profit and loss account	20	**447·7**	302·0	**493·8**	604·6
		1271·5	1130·6	**772·6**	871·6
Convertible capital bonds	21	**155·0**	155·0	**—**	—
Minority interests		**6·5**	1·6	**—**	—
		1433·0	1287·2	**772·6**	871·6

Approved by the board
6th June 1991
Christopher Benson
Chairman

SOURCE AND APPLICATION OF FUNDS

for the year ended 31st March 1991

	1991		1990	
	£m	£m	£m	£m
Sources				
Funds generated from operations:				
Trading profit		414·3		386·5
Income from interests in associates		(8·5)		(1·4)
Dividends from associates		6·1		·3
Investment income		13·9		25·3
Depreciation and amortisation less net surplus on disposal		79·0		63·5
Gross funds from operations		504·8		474·2
Less financing costs and taxation paid during the year:				
Interest payable		(60·5)		(52·2)
Servicing cost of convertible capital bonds		(9·3)		(1·6)
Tax paid		(109·8)		(113·5)
Net funds from operations		325·2		306·9
Applications				
Fixed asset investment:				
Capital expenditure	164·8		151·1	
Disposal of tangible assets	(26·0)		(27·9)	
Intangibles	19·0		33·1	
Acquisitions	15·7		912·7	
Disposal of businesses	—	173·5	(3·6)	1065·4
Working capital investment:				
Stocks	18·0		19·3	
Debtors	(47·1)		(27·2)	
Creditors	16·8	(12·3)	(93·0)	(100·9)
Provisions utilised		19·8		22·3
Creditors due after more than one year		(·6)		(3.1)
Other items		(·3)		·9
Dividends paid to shareholders		110·5		97·9
Total Applications		290·6		1082·5
Surplus/(deficit)		34·6		(775·6)
Financed by:				
Ordinary shares		11·8		159·0
Loans		(1·7)		131·5
Convertible capital bonds		—		155·0
Listed investments		·2		64·9
Short term deposits		(107·2)		234·9
Cash at bank and in hand		(6·6)		·6
Bank loans and overdrafts		(20·1)		(143·7)
Bills of exchange—bank acceptances		12·7		65·8
Commercial paper		76·3		107·6
		(34·6)		775·6

Acquisitions comprise tangible fixed assets £1·4m, goodwill £5·5m, deferred tax asset £2·6m, and net current assets of £6·2m. Exchange differences on translation of results and opening net assets of overseas subsidiaries, the effects of the disposal of Payless DIY and the change of status of Boots Pharmaceuticals Limited in India have been excluded from applications as they do not represent movements of funds.

NOTES RELATING TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The following accounting policies have been used in dealing with items which are considered material in relation to the group accounts.

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards under alternative accounting rules set out in the 4th schedule to the Companies Act, 1985, being prepared under the historical cost convention adjusted by the revaluations of certain properties at open market value. A separate profit and loss account for the parent company has not been presented as permitted by section 230 of the Companies Act, 1985.

Consolidation

The accounts combine the results of the company and its subsidiary and associated undertakings for the period of, and to the extent of, group ownership, after eliminating intra-group transactions. The excess of cost of investments in subsidiaries over the fair value of net tangible assets acquired is written off to reserves.

With effect from 1st April 1990 Boots Pharmaceuticals Limited, a company incorporated in India in which the group has a participating interest and over which it exercises a dominant influence, has been consolidated as a subsidiary undertaking. Prior year results are not considered material to the group and have not been re-stated.

Associates are those undertakings, not recognised as subsidiaries, in which the group has a participating interest of between twenty per cent and fifty per cent and over whose policies the group is able to exercise a significant degree of influence. The proportion of results attributable to the group is included in the group profit and loss account. In the group balance sheet investments in associates are shown at the group's share of net assets excluding goodwill.

Foreign currencies

The results of overseas companies are translated into sterling on an average exchange rate basis, weighted by the actual results of each month. Assets and liabilities are translated into sterling at the rates of exchange ruling at the date of the group balance sheet. Translation differences are taken to reserves. Differences on foreign currency loans are taken to reserves and matched against the differences on net investments. Other exchange gains or losses are taken to trading profit where they relate to items of a trading nature. Overseas investments are stated at the rate of exchange in force at the date each investment was made.

Fixed assets and depreciation

Profits and losses arising from the disposal of properties which have previously been revalued are calculated by reference to their original cost.

No depreciation is provided on freehold land, shop freeholds and long leaseholds with more than fifty years to run because of their high residual values, nor on assets in course of construction. Other tangible fixed assets are written off by equal instalments over their expected normal lives. The maximum life assumed for freehold buildings, other than shops, is forty years, and the lives assumed for fixtures and plant vary between three and twenty-five years.

Intangible fixed assets acquired are amortised over estimated useful lives of up to a maximum of 20 years. Similar assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

NOTES RELATING TO THE ACCOUNTS

1 ACCOUNTING POLICIES—continued

Property development

Interest incurred on borrowings to finance specific property developments is capitalised. Profits and losses on disposals of development properties are included in trading profit.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development

Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding

The company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in trust funds separated from the companies' finances. Actuarial valuations of the schemes are conducted at three-year intervals and include a review of contributions.

The cost of providing pensions is spread over the employees' working lives with the group. The cost charged to the profit and loss account in any year may not always equal the employer contributions to the pension schemes.

Certain overseas companies operate their own pension schemes.

Leases

The rental costs of properties and other assets acquired under operating leases are charged directly to the profit and loss account. The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The capital element of future lease payments is included in creditors. The interest cost is allocated to accounting periods based on the capital element of the leases outstanding.

Deferred taxation

A deferred taxation provision is made only where the effects of timing differences between profits as stated in the accounts and as computed for tax purposes are likely to reverse in the foreseeable future. Advance corporation tax is carried forward to the extent that it is expected to be recovered.

No provision is made for any potential liability to corporation tax on capital gains arising on disposals of assets since any liability has been deferred indefinitely under capital gains provisions. Provision for taxation on the revaluation surplus is made to the extent that the gain is not expected to be sheltered by rollover relief under The Capital Gains Tax Act 1979.

No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiaries and associates as the major part of these profits will not be remitted.

NOTES RELATING TO THE ACCOUNTS

2 SEGMENTAL INFORMATION

The analysis below sets out information for each of the four trading divisions of the group.

a Analysis of turnover and profit by divisional segment is as follows:

	1991 Turnover £m	1991 Profit £m	1990 Turnover £m	1990 Profit £m
Pharmaceuticals Division	628·8	115·1	583·8	111·1
Boots The Chemists Division	2360·6	228·8	2268·9	190·0
Retail Division				
Halfords	290·1	2·8	170·6	12·0
Payless	88·1	6·7	139·9	11·8
Do It All	—	8·7	—	—
A G Stanley	114·8	9·5	70·2	4·7
Boots Opticians	73·8	4·0	57·1	2·2
Childrens World	54·6	(4·7)	42·3	(6·4)
Overseas	59·8	·3	59·2	(·3)
	681·2	27·3	539·3	24·0
Property Division				
Development	·7	·2	—	—
Net rents	—	46·5	—	39·2
Profit from property sales	—	13·4	—	15·2
	·7	60·1	—	54·4
Inter-divisional	(139·5)	—	(130·4)	—
Net interest and unallocated items	—	(74·0)	—	(29·8)
	3531·8	357·3	3261·6	349·7
Discontinued operations	33·5	1·1	119·8	8·3
	3565·3	358·4	3381·4	358·0

Turnover comprises sales to external customers excluding sales taxes. Inter-divisional turnover elimination relates to the Pharmaceuticals Division. The results of the former Ward White businesses have been included from 22nd August 1989. Payless results are included up to 9th August 1990, the date on which the joint venture agreement with W H Smith Limited became unconditional. The joint venture, Do It All Limited, is accounted for as an associated undertaking. Do It All profit represents 50% of profit attributable to ordinary shareholders and the benefit of preference dividends. Results from discontinued operations relate to the former US Ward White businesses now sold.

b Analysis of net operating assets by divisional segment is as follows:

	1991 £m	1990 £m
Pharmaceuticals Division	349·1	311·5
Boots The Chemists Division	422·5	392·6
Retail Division	220·7	191·7
Property Division	903·0	885·4
Net operating assets	1895·3	1781·2
Unallocated liabilities	(462·3)	(551·5)
	1433·0	1229·7
Discontinued operations	—	57·5
	1433·0	1287·2

Net operating assets includes intangible and tangible fixed assets, shares in associates, stocks and third party debtors and creditors. Unallocated liabilities include all current and deferred taxation balances, dividend creditors and net borrowings, and exclude convertible capital bonds.

NOTES RELATING TO THE ACCOUNTS

2 SEGMENTAL INFORMATION—continued

c Analysis by geographical segment, with turnover and related profits shown in the segment from which the sale was made, is as follows:

	1991 Turnover £m	1991 Profit £m	1990 Turnover £m	1990 Profit £m
UK	3165·7	340·0	2943·3	304·2
Rest of Europe	197·1	19·7	163·7	14·7
US	114·7	57·2	113·4	48·2
Rest of World	90·0	14·4	69·1	12·4
Inter-segment	(35·7)	—	(27·9)	—
Net interest and unallocated items	—	(74·0)	—	(29·8)
	3531·8	357·3	3261·6	349·7
Discontinued operations	33·5	1·1	119·8	8·3
	3565·3	358·4	3381·4	358·0

d Analysis of net operating assets by geographical segment is as follows:

	1991 £m	1990 £m
UK	1749·1	1647·9
Rest of Europe	63·4	59·3
US	46·4	45·6
Rest of World	36·4	28·4
Net operating assets	1895·3	1781·2
Unallocated liabilities	(462·3)	(551·5)
	1433·0	1229·7
Discontinued operations	—	57·5
	1433·0	1287·2

e Turnover by geographical destination is as follows:

	1991 £m	1990 £m
UK	3083·5	2846·6
Rest of Europe	213·9	187·8
US	124·3	138·6
Rest of World	110·1	88·6
	3531·8	3261·6
Discontinued operations	33·5	119·8
	3565·3	3381·4

NOTES RELATING TO THE ACCOUNTS

3 TRADING PROFIT

	1991 £m	1990 £m
Turnover	**3565·3**	3381·4
Cost of sales	**(1972·5)**	(1925·8)
Gross profit	**1592·8**	1455·6
Selling, distribution and store costs	**(1011·8)**	(931·1)
Research and development costs	**(53·7)**	(49·0)
Administration costs	**(158·9)**	(127·4)
Surplus on disposal of properties	**13·4**	15·2
Other operating income	**24·0**	21·8
Income from interests in associates	**8·5**	1·4
Trading profit	**414·3**	386·5
Trading profit is after charging:		
Operating lease rentals:		
Property rents	**106·2**	90·6
Computer and plant hire	**10·4**	8·0
Depreciation and amortisation	**84·4**	73·7
Remuneration of auditors	**·9**	·8

4 NET INTEREST

	1991 £m	1990 £m
Interest receivable:		
Listed investments	**·3**	4·1
Short term deposits	**13·6**	21·2
	13·9	25·3
Interest payable:		
Repayable within five years:		
Bank and other loans	**(51·5)**	(52·6)
Interest capitalised	**·1**	2·6
Finance lease charges	**(·7)**	—
Loans repayable after five years	**(8·4)**	(2·2)
	(60·5)	(52·2)
	(46·6)	(26·9)

NOTES RELATING TO THE ACCOUNTS

5 TAXATION

	1991 £m	1990 £m
The charge on the profit for the year consists of:		
UK corporation tax at 34% (1990 35%)	90·3	96·6
Deferred taxation	2·5	3·4
Relief for overseas taxation	(5·5)	(4·4)
Share of taxation of associates	3·3	—
Total UK taxation	90·6	95·6
Overseas taxation	19·3	15·0
Overseas deferred taxation	2·1	1·5
Share of taxation of associates	—	·5
	112·0	112·6
Unprovided deferred taxation in respect of the year:		
Capital allowances	4·6	3·6
Capital gains taxation	2·7	2·0
Other items	·8	2·5
	8·1	8·1

6 EXTRAORDINARY ITEMS AFTER TAXATION

	1991 £m	1990 £m
Loss on closure and disposal of subsidiaries	—	(·9)
Profit on disposal of subsidiary	19·6	—
	19·6	(·9)
Taxation	—	—
	19·6	(·9)

7 PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders £4·5m (1990 £154·7m) is dealt with in the accounts of the parent company.

8 DIVIDENDS

			1991 £m	1990 £m
Interim paid of	4·10p per share	(1990 3·85p)	40·4	37·7
Final proposed of	7·50p per share	(1990 7·15p)	73·9	70·1
	11·60p	11·00p	114·3	107·8

9 EARNINGS PER SHARE

Earnings per share calculations are based on 982·7m (1990 958·7m) average ordinary shares in issue, weighted on a time basis, and profit before extraordinary items of £244·5m (1990 £244·8m).

The effect on earnings per share of conversion of the convertible capital bonds and the exercise of outstanding share options by directors and employees would not be material.

NOTES RELATING TO THE ACCOUNTS

10 INTANGIBLE FIXED ASSETS

Patents, trade marks and other product rights acquired.

	Group £m	Parent £m
Cost		
At 31st March 1990	40·4	12·7
Additions	19·0	—
Currency adjustments and reclassifications	2·5	—
At 31st March 1991	61·9	12·7
Amortisation		
At 31st March 1990	3·1	2·4
Amortisation for year	1·9	·9
At 31st March 1991	5·0	3·3
Net book value at 31st March 1991	56·9	9·4

11 TANGIBLE FIXED ASSETS

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Group					
Cost or valuation					
At 31st March 1990	1002·1	196·8	677·2	38·4	1914·5
Currency adjustments	(3·4)	(2·1)	(2·6)	(·3)	(8·4)
Additions	36·0	26·2	85·5	17·1	164·8
Acquisitions	2·3	4·9	2·1	1·0	10·3
Disposals: subsidiary	(22·8)	—	(27·2)	—	(50·0)
other	(26·8)	(8·8)	(25·2)	—	(60·8)
Reclassifications	21·3	3·5	5·6	(30·4)	—
Property development transfers	(5·0)	—	—	—	(5·0)
At 31st March 1991	1003·7	220·5	715·4	25·8	1965·4
Depreciation					
At 31st March 1990	36·5	82·9	281·2	—	400·6
Currency adjustments	(·7)	(1·3)	(1·3)	—	(3·3)
Depreciation for year	5·0	17·8	59·7	—	82·5
Acquisitions	·6	3·3	1·0	—	4·9
Disposals: subsidiary	(3·5)	—	(12·1)	—	(15·6)
other	(1·8)	(5·2)	(17·1)	—	(24·1)
At 31st March 1991	36·1	97·5	311·4	—	445·0
Net book value at 31st March 1991	967·6	123·0	404·0	25·8	1520·4

Net book value includes assets held under finance leases as follows:

	Cost £m	Aggregate depreciation £m	Net book value £m
At 31st March 1990	—	—	—
Movement in period	10·9	2·6	8·3
At 31st March 1991	10·9	2·6	8·3

NOTES RELATING TO THE ACCOUNTS

11 TANGIBLE FIXED ASSETS—continued

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Parent					
Cost or valuation					
At 31st March 1990	46·5	130·9	111·6	3·9	292·9
Additions	·1	15·4	14·3	5·4	35·2
Disposals	—	(4·7)	(4·9)	—	(9·6)
Reclassifications and transfers	—	·9	·6	(2·3)	(·8)
At 31st March 1991	46·6	142·5	121·6	7·0	317·7
Depreciation					
At 31st March 1990	14·0	59·3	56·6	—	129·9
Depreciation for year	1·2	10·7	11·2	—	23·1
Disposals	—	(3·1)	(4·2)	—	(7·3)
Reclassifications	—	·2	(·2)	—	—
At 31st March 1991	15·2	67·1	63·4	—	145·7
Net book value at 31st March 1991	31·4	75·4	58·2	7·0	172·0

Net book value includes assets held under finance leases as follows:	Cost £m	Aggregate depreciation £m	Net book value £m
At 31st March 1990	—	—	—
Movement in period	1·7	·5	1·2
At 31st March 1991	1·7	·5	1·2

Net book value of land and buildings comprises:	Group 1991 £m	Group 1990 £m	Parent 1991 £m	Parent 1990 £m
Freehold	**780·2**	771·1	**31·4**	32·5
Long leasehold (more than 50 years unexpired)	**156·9**	143·1	—	—
Short leasehold	**30·5**	51·4	—	—
	967·6	965·6	**31·4**	32·5
Analysis of cost or valuation:				
Cost	**1176·1**	1102·2	**311·3**	286·5
Independent valuation 1989	**780·6**	803·5	—	—
1965	**·8**	·9	—	—
1959	**·1**	·1	—	—
1958	**7·8**	7·8	**6·4**	6·4
	1965·4	1914·5	**317·7**	292·9
Net book value of tangible fixed assets under the historical cost convention	**972·3**	947·5	**171·3**	162·3

The current valuation of properties is referred to in the Directors' Report on page 28.

NOTES RELATING TO THE ACCOUNTS

12 FIXED ASSETS—INVESTMENTS

	Associated undertakings £m
Group	
Share of net tangible assets at 31st March 1990	3·5
Additions	49·5
Income for the year	5·2
Dividends paid	(6·1)
Currency adjustments and reclassifications	(2·4)
Share of net tangible assets at 31st March 1991	49·7

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Shares in associated undertakings £m	Total £m
Parent				
Cost				
At 31st March 1990	1084·0	315·4	·5	1399·9
Additions	·2	1·4	99·9	101·5
Repayments	—	(80·4)	—	(80·4)
Transfers	·5	—	(·5)	—
Currency adjustments	—	(11·4)	—	(11·4)
At 31st March 1991	1084·7	225·0	99·9	1409·6
Provision				
At 31st March 1990	230·1	47·2	—	277·3
Movement	160·9	(41·2)	—	119·7
At 31st March 1991	391·0	6·0	—	397·0
Net book value at 31st March 1991	693·7	219·0	99·9	1012·6

The list of principal companies shown on pages 52 and 53 forms part of this note.
The parent has guaranteed overdrafts of associates up to a maximum limit of £30m (1990 £Nil).

NOTES RELATING TO THE ACCOUNTS

13 STOCKS

	Group 1991 £m	Group 1990 £m	Parent 1991 £m	Parent 1990 £m
Manufacturing:				
Raw materials	33·6	29·0	18·5	17·3
Work in progress	18·2	17·3	11·9	11·2
Finished goods	41·1	34·8	13·0	10·8
	92·9	81·1	43·4	39·3
Retailing	401·5	443·7	111·9	117·7
Property development	14·9	8·0	—	—
	509·3	532·8	155·3	157·0

Property development stock includes capitalised interest of £1·0m (1990 £·9m).

14 DEBTORS

	Group 1991 £m	Group 1990 £m	Parent 1991 £m	Parent 1990 £m
Falling due within one year:				
Trade debtors	152·5	141·6	33·8	85·9
Owed by subsidiaries	—	—	349·3	225·0
Owed by associates	1·4	·1	1·4	·1
Other debtors	31·7	100·6	13·5	18·0
Prepayments and accrued income	40·2	40·5	9·7	12·3
Corporation tax	6·2	2·2	—	—
	232·0	285·0	407·7	341·3
Falling due after more than one year:				
Owed by subsidiaries	—	—	48·1	53·2
Advance corporation tax	24·6	23·4	24·6	23·4
Other debtors	5·3	10·7	3·2	4·2
	261·9	319·1	483·6	422·1

15 CURRENT ASSETS—INVESTMENTS

	Group 1991 £m	Group 1990 £m	Parent 1991 £m	Parent 1990 £m
Listed investments	·6	·8	—	—
Short term deposits	133·8	28·1	1·7	1·9
	134·4	28·9	1·7	1·9
Market value of investments listed on The International Stock Exchange	·6	·8	—	—

NOTES RELATING TO THE ACCOUNTS

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent	
	1991 £m	1990 £m	1991 £m	1990 £m
Bank loans and overdrafts	47·2	91·3	22·2	71·5
Variable rate notes	38·9	41·6	34·5	36·7
Bills of exchange—bank acceptances	78·5	65·8	78·5	65·8
—trade	7·5	5·6	·2	·1
Commercial paper	183·9	107·6	183·9	107·6
Trade creditors	246·3	294·5	197·9	203·9
Due to subsidiaries	—	—	112·7	34·0
Due to associates	·4	—	—	—
Corporation tax	53·3	78·2	5·9	14·3
Advance corporation tax	37·5	34·9	37·5	34·9
Taxation and social security (including value added and other sales taxes)	33·7	31·6	18·7	18·9
Obligations under finance leases	3·1	—	·3	—
Other creditors	86·7	94·6	38·1	37·4
Accruals	78·5	78·2	18·0	14·4
Proposed dividend	73·9	70·1	73·9	70·1
	969·4	994·0	822·3	709·6

Overdrafts of certain subsidiaries amounting to £4·5m at 31st March 1991 (1990 £·6m) were secured on the assets of those subsidiaries.
Variable rate notes are repayable at the option of the holders.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Parent	
	1991 £m	1990 £m	1991 £m	1990 £m
Due within two years:				
Foreign currency bank loans	2·0	1·0	—	—
Obligations under finance leases	3·1	—	—	—
	5·1	1·0	—	—
Due within two to five years:				
7¾% stock 1988/93	5·7	5·7	5·7	5·7
Due after five years:				
Unsecured US $175m 9% bonds 1997	100·6	107·4	100·6	107·4
Due to subsidiaries	—	—	182·2	172·6
Other creditors	2·8	4·5	1·7	1·8
Accruals	3·7	4·8	—	—
	117·9	123·4	290·2	287·5

The 7¾% stock is repayable on or before 30th September 1993 at the option of the company. The 9% bonds are redeemable at their principal amount in 1997.

NOTES RELATING TO THE ACCOUNTS

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Group Deferred taxation £m	Group Acquisition provisions £m	Group Total £m	Parent Deferred taxation £m
At 31st March 1990	8·6	27·5	36·1	8·3
Reclassification	—	2·3	2·3	—
Re-assessment of Ward White provisions	(2·5)	4·1	1·6	—
Currency adjustments	·3	—	·3	—
Acquisitions	(2·6)	1·0	(1·6)	(·3)
Expenditure	—	(19·8)	(19·8)	—
Disposals	·5	—	·5	—
Profit and loss account	4·6	—	4·6	(3·4)
Revaluation reserve	(·1)	—	(·1)	—
At 31st March 1991	8·8	15·1	23·9	4·6

	Group 1991 £m	Group 1990 £m	Parent 1991 £m	Parent 1990 £m
Analysis of deferred taxation provision:				
Capital allowances	**18·1**	23·6	**5·3**	7·4
Capital gains taxation	**2·9**	3·0	—	—
Other items:				
UK	**(6·6)**	(12·1)	**(·7)**	·9
Overseas	**(5·6)**	(5·9)	—	—
	8·8	8·6	**4·6**	8·3
Unprovided deferred taxation:				
Capital allowances	**59·6**	61·0	**27·2**	28·5
Capital gains rolled over	**43·1**	42·9	**·4**	·4
Other items	**(2·6)**	(2·6)	—	—
	100·1	101·3	**27·6**	28·9

It is not anticipated that any significant taxation will become payable on the revaluation surplus, as taxation on gains on properties sold in the normal course of business is expected to be deferred indefinitely.

NOTES RELATING TO THE ACCOUNTS

19 SHARE CAPITAL	1991 £m	1990 £m
Ordinary shares of 25p each:		
Authorised	**300·0**	300·0
Allotted, called up and fully paid	**246·2**	245·0

Details of ordinary shares allotted during the year are as follows:

	Scrip dividends	Profit sharing schemes	Option schemes	Total
Number of shares allotted (million)	1·8	·8	2·0	4·6
	£m	£m	£m	£m
Nominal value	·5	·2	·5	1·2
Share premium	4·9	2·1	3·6	10·6
Consideration	5·4	2·3	4·1	11·8

During the year approximately 26% of shareholders owning 5% of shares, elected to take all or part of their dividends in shares. In 1990/91 a profit sharing scheme enabled qualifying employees to acquire ordinary shares at market price from a cash bonus. Under a savings-related scheme options may be granted enabling employees with over three years service to subscribe for ordinary shares at approximately 80% of market price. At 31st March 1991, options exercisable from 1991 to 1998 at between 158p and 276p per share were outstanding in respect of 6,385,466 shares.
Under an executive share option scheme certain senior executives are granted options to subscribe for ordinary shares. At 31st March 1991, such options were outstanding as follows:
40,000 shares at 195p exercisable to August 1995
330,000 shares at 307p exercisable to June 1997
150,000 shares at 219p exercisable to December 1997
75,000 shares at 214p exercisable from June 1991 to June 1998
10,000 shares at 217p exercisable from November 1991 to November 1998
2,162,500 shares at 257p exercisable from December 1992 to December 1999
955,000 shares at 286p exercisable from July 1993 to July 2000
487,000 shares at 339p exercisable from December 1993 to December 2000
On any date, the aggregate nominal amount of new shares over which options may be granted, when added to the nominal amount of new shares issued and remaining issuable in respect of options granted in the previous ten years under all of the company's employee share schemes, may not exceed 10 per cent of the nominal amount of shares in issue immediately before that date.

An analysis of shareholders is as follows:

Shareholdings range	Number	%	Total holding	%
1 — 500	30,759	26·0	7,279,507	·7
501 — 1,000	24,680	20·8	18,660,995	1·9
1,001 — 10,000	58,923	49·7	161,156,500	16·4
10,001 — 100,000	3,504	3·0	83,336,213	8·5
100,001 — 1,000,000	517	·4	166,610,498	16·9
Over 1,000,000	140	·1	547,673,653	55·6
	118,523	100·0	984,717,366	100·0

NOTES RELATING TO THE ACCOUNTS

20 RESERVES

Group

	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Share of associated undertakings £m	Total £m
At 31st March 1990	22·0	561·6	298·8	3·2	885·6
Profit retained	—	—	150·7	(·9)	149·8
Goodwill	—	—	(5·5)	—	(5·5)
Adjustment to goodwill arising on Ward White acquisition	—	—	7·5	—	7·5
Revaluation surplus realised on disposals	—	(13·3)	—	—	(13·3)
Currency adjustments	—	—	(6·1)	—	(6·1)
Other adjustments	—	(3·4)	—	—	(3·4)
Transfers	—	—	3·2	(3·2)	—
Issue of shares	10·7	—	—	—	10·7
Share issue expenses	(·1)	—	—	—	(·1)
Deferred taxation	—	·1	—	—	·1
At 31st March 1991	32·6	545·0	448·6	(·9)	1025·3

The cumulative amount of goodwill resulting from acquisitions up to and including the year ended 31st March 1991, net of goodwill attributable to subsidiaries or businesses disposed of prior to this date amounted to £1,301·8m (1990 £1,303·8m). Included within currency adjustments is £7·4m (1990 losses £·5m) of net exchange gains on foreign currency loans.

Adjustment to goodwill arising on Ward White acquisition comprises:	£m
Fair value adjustments	9·1
Acquisition provisions	(4·1)
Deferred taxation	2·5
	7·5

Parent

	Share premium account £m	Profit and loss account £m	Total £m
At 31st March 1990	22·0	604·6	626·6
Loss retained	—	(109·8)	(109·8)
Goodwill	—	(1·0)	(1·0)
Issue of shares	10·7	—	10·7
Share issue expenses	(·1)	—	(·1)
At 31st March 1991	32·6	493·8	526·4

NOTES RELATING TO THE ACCOUNTS

21 CAPITAL BONDS

In January 1990, Boots Finance Ltd issued £155m of 6% convertible capital bonds, guaranteed on a subordinated basis by the parent company. The bonds are convertible at any time into redeemable preference shares of Boots Finance Ltd, which in turn are immediately exchangeable for ordinary shares of The Boots Company PLC at 335 pence per share. This price represents a 16% premium over the market price at the time of issue. Due to the special nature of these bonds they have been shown separately on the balance sheet.

In addition to this right to obtain Boots ordinary shares, bondholders may elect in January 1995 to convert their bonds into preference shares and require Boots Finance Ltd to redeem those preference shares, at the same time paying supplemental interest on the bonds. Such interest, if paid, would increase the yield on the bonds from 6% to 11·69% per annum over the five years to January 1995 (the optional redemption date).

However, Boots Finance Ltd has the right to offer bondholders a further optional redemption date, supported (if necessary) by a revised level of supplemental interest. Moreover, Boots Finance Ltd can require conversion of the bonds so as to ensure exchange into ordinary shares either on 29th January 1995 at a price which assures holders of an 11·69% return, or at any time, subject to the price of ordinary shares in Boots having exceeded certain levels.

In the directors' opinion, it is very unlikely that redemption will occur, and consequently supplemental interest, which would amount to £10·3m at 31st March 1991, will not arise. No provision for this has therefore been made in these accounts.

22 PENSIONS

The group operates pension schemes throughout the world, most of which are final salary (defined benefit) schemes, and are fully funded.

The principal UK pension scheme is Boots Pension Scheme, the cost for which is determined by Bacon & Woodrow, consulting actuaries. The pension cost for Boots Pension Scheme was £8·7m for the period to 1st November 1989, from which date it was reduced to zero on the availability of the results of the 1st April 1989 valuation. The zero charge arises as a result of amortisation of surplus being recognised over 12 years, the expected average remaining service life of members, after benefit improvements. Recent benefit improvements to the scheme have anticipated the requirements of the Social Security Act 1990 regarding pension increases and the expected requirements for the equal pension provision for men and women following the judgement of the European Court of Justice in the case of Barber *v* GRE Assurance Group. Allowance for these improvements was made in calculating the zero pension cost.

The projected unit method was used both in assessing pension costs for accounting purposes and for funding the scheme. The assumed rate of investment return was 2% per annum above the assumed rate of pay increases, excluding promotional increases, 4% per annum above the assumed rate of pension increases and 4½% per annum above the assumed rate of dividend increases. Members retiring are assumed to be replaced by new entrants so that the average age of the membership remains constant.

The market value of the scheme's assets was £858 million at 1st April 1989. The valuation showed that the actuarial value of the assets at 1st April 1989 represented 145% of the actuarial value of the accrued benefits before improvements. The accrued benefits include all benefits for pensioners and other former members as well as benefits based on service to the valuation date for active members, allowing for future pay increases. The excess of assets over liabilities has arisen because investment performance has been better than assumed. The employer's contributions are equal to the pension costs recognised in the group accounts.

NOTES RELATING TO THE ACCOUNTS

23 COMMITMENTS

a Future capital expenditure approved by the directors and not provided for in these accounts is as follows:

	Group 1991 £m	Group 1990 £m	Parent 1991 £m	Parent 1990 £m
Contracts placed	**58·9**	59·9	**26·5**	10·1
Contracts not placed	**64·8**	36·5	**13·6**	2·8
	123·7	96·4	**40·1**	12·9

b Annual commitments under operating leases at 31st March 1991 are as follows:

	Group Land and buildings £m	Group Other £m	Parent Land and buildings £m	Parent Other £m
Expiring:				
Within one year	2·8	3·3	·2	1·5
Over one year and less than five years	10·8	6·7	7·7	1·9
Over five years	100·0	—	2·9	—
	113·6	10·0	10·8	3·4

24 STAFF NUMBERS AND COSTS

The average number of persons employed by the group during the year was as follows:

	1991	1990
Pharmaceuticals Division	**11,151**	9,491
Boots The Chemists Division	**53,853**	55,168
Retail Division	**17,839**	13,077
Property Division	**27**	46
Central	**875**	866
Total employees	**83,745**	78,648

Total number of persons employed by the group at 31st March 1991 was 81,590 (1990 84,165).

The aggregate payroll cost was as follows:	£m	£m
Wages and salaries (including profit earning bonus of £30·5m) (1990 £28·0m)	**609·9**	539·1
Social security costs	**52·7**	45·4
Other pension costs	**5·5**	13·8
	668·1	598·3

All the employees of our South African company are paid above the Supplemented Living level. Further information is available from the Secretary.

NOTES RELATING TO THE ACCOUNTS

25 DIRECTORS' SHAREHOLDINGS

The beneficial interests of the directors and their families in the share capital of the company at 31st March 1991 are shown below.

Included under 'ordinary shares' are those held in trust under the company's profit sharing scheme. Details of this scheme and the company's share option schemes are referred to in note 19. No director holds any loan capital.

	Ordinary shares		Ordinary shares under option			
			Executive scheme		Savings scheme	
	1991	1990	**1991**	1990	**1991**	1990
K Ackroyd	**27,497**	24,811	**185,000**	287,500	**10,453**	10,453
Sir Christopher Benson	**13,044**	12,590	—	—	—	—
Sir James Blyth	**9,464**	7,127	**347,500**	520,000	**5,401**	5,401
Dr E E Cliffe	**31,694**	23,967	**130,000**	212,500	**3,534**	6,862
A H Hawksworth	**17,861**	13,229	**122,500**	162,500	**8,009**	10,064
G M Hourston	**28,728**	24,635	**175,000**	250,000	**3,495**	3,495
A B Marshall	**2,841**	2,743	—	—	—	—
The Baroness Oppenheim-Barnes	**2,405**	2,322	—	—	—	—
I M G Prosser	**1,072**	1,072	—	—	—	—
Sir Peter Reynolds	**2,434**	2,434	—	—	—	—
T G Richardson	**15,838**	10,553	**172,500**	77,500	**7,333**	8,723
M F Ruddell	**8,429**	5,217	**107,500**	162,500	**5,374**	5,374
G R Solway	**22,857**	20,760	**115,000**	170,000	**8,389**	7,446
D A R Thompson	**9,288**	9,288*	**135,000**	85,000*	**3,495**	3,495*

In addition Sir Peter Reynolds has a non-beneficial interest in 1,300 (1990 1,300) ordinary shares.
On his appointment on 16th May 1991, Mr P J Davis did not hold any interests in the share and loan capital of the company.
Directors' holdings on 6th June 1991 are unchanged.
*At date of appointment.

NOTES RELATING TO THE ACCOUNTS

26 REMUNERATION OF DIRECTORS

The following remuneration of directors is included in the aggregate payroll cost.

	1991 £000	1990 £000
Remuneration of directors:		
Fees	**62**	54
Bonuses	**54**	507
Other remuneration	**1987**	1866
Payment to former director	**146**	200
	2249	2627

Sir Christopher Benson was appointed Chairman on 26th July 1990 and received remuneration excluding pension contributions of £89,000. The previous Chairman, Mr R N Gunn, received remuneration of £73,000 (1990 £162,000).

The remuneration of the highest paid director excluding pension contributions was £343,000 (1990 £383,000).

An analysis of remuneration of directors (except where duties were discharged mainly outside the UK) is shown below, excluding pension contributions.

	Number of directors 1991	1990
£380,001 — 385,000	—	1
£340,001 — 345,000	**1**	—
£215,001 — 220,000	—	1
£190,001 — 195,000	**1**	1
£170,001 — 175,000	**1**	1
£160,001 — 165,000	—	1
£150,001 — 155,000	**1**	—
£145,001 — 150,000	—	1
£140,001 — 145,000	—	1
£135,001 — 140,000	—	2
£130,001 — 135,000	**3**	—
£90,001 — 95,000	**1**	—
£85,001 — 90,000	**1**	—
£70,001 — 75,000	**1**	—
£45,001 — 50,000	—	1
£40,001 — 45,000	**2**	—
£30,001 — 35,000	—	1
£20,001 — 25,000	**1**	—
£15,001 — 20,000	**3**	1
£10,001 — 15,000	—	4

AUDITORS' REPORT

Report of the Auditors, KPMG Peat Marwick McLintock to the members of The Boots Company PLC.

We have audited the accounts on pages 30 to 53 in accordance with Auditing Standards.
In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31st March 1991 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock
Chartered Accountants, Birmingham
6th June 1991

PRINCIPAL COMPANIES

	Percentage held by parent	Percentage held by subsidiaries	Country of incorporation where operating abroad	Principal activities
Parent				
The Boots Company PLC				Manufacturing, marketing and distribution of pharmaceuticals and consumer products
Subsidiary undertakings				
(incorporated and registered in England)				
A G Stanley Ltd.		100		Retailing of decorative products and interior furnishings
Boots Development Properties Ltd.		100		Property development
Boots Opticians Ltd.		100		Registered opticians
Boots Properties PLC	100			Property holding
Boots Print Ltd.	100			Print services
Boots The Chemists Ltd.	100			Retail chemists
Childrens World Ltd.	100			Retailing of goods and services for children
Crookes Healthcare Ltd.	100			Marketing consumer products
Farley Health Products Ltd.	100			Manufacturing consumer products
Halfords Ltd.		100		Retailing of car parts, accessories and bicycles
Optrex Ltd.	100			Marketing consumer products
Ward White Group plc	100			Holding and management company
Subsidiary undertakings				
(incorporated overseas)				Activities refer to pharmaceutical and consumer products unless otherwise indicated
The Boots Company (Australia) Pty. Ltd.	100		Australia	Manufacturing and marketing
Boots Pharmaceuticals N.V.		100	Belgium	Marketing
Flint Laboratories (Canada) Ltd.		100	Canada	Marketing
Boots Pharma S.A.	100		France	Manufacturing and marketing
Beaute, Hygiene et Soins, S.A.	100		France	Retailing of cosmetics and toiletries
Kanoldt Arzneimittel GmbH		100	Germany	Manufacturing and marketing
Boots Pharmaceuticals B.V.	100		The Netherlands	Marketing

PRINCIPAL COMPANIES

	Percentage held by parent	Percentage held by subsidiaries	Country of incorporation where operating abroad	Principal activities
Subsidiary undertakings				
(incorporated overseas)—continued				
				Activities refer to pharmaceutical and consumer products unless otherwise indicated
Boots Pharmaceuticals Ltd.	40		India	Manufacturing and marketing
The Boots Company (Ireland) Ltd.	100		Ireland	Marketing
Boots Italia S.p.A.	100		Italy	Marketing
Boots Finance Ltd.	100		Jersey	Finance company
Boots Pharmaceuticals Ltd.		100	Kenya	Manufacturing and marketing
Optrex (Malaya) Sdn. Bhd.		100	Malaysia	Marketing
Boots The Chemists (New Zealand) Ltd.	100		New Zealand	Marketing
Boots Pharmaceuticals Ltd.	56·5		Pakistan	Manufacturing and marketing
The Boots Company (Philippines) Ltd.	100		Philippines	Marketing
The Boots Company (Far East) Pte. Ltd.	100		Singapore	Marketing
The Boots Company (South Africa) (Pty.) Ltd.	100		South Africa	Manufacturing and marketing
Laboratorios Liade S.A.	100		Spain	Manufacturing and marketing
The Boots Company (Thailand) Ltd.	100		Thailand	Marketing
Boots Pharmaceuticals Inc.		100	USA	Development, manufacturing and marketing of pharmaceuticals
Boots Pharmaceuticals PR, Inc.		100	USA	Manufacturing pharmaceuticals
OOUR Boots-Galenika	51		Yugoslavia	Manufacturing pharmaceuticals

All percentages relate to holdings of ordinary share capital

	Issued share capital	Percentage held	Principal activities
Associated undertakings			
Do It All Limited (incorporated and registered in England)	200 ordinary shares	50	DIY retailer
	2000 cumulative redeemable preference shares	100	
	1A preference share	100	
	1B preference share	—	
BHC (partnership in USA)	—	50	Manufacturing pharmaceuticals

All the companies operate principally in the country of incorporation, except Boots Pharmaceuticals PR, Inc. which operates in Puerto Rico.

GROUP FINANCIAL RECORD

	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m
Turnover	**3565·3**	3381·4	2704·4	2589·8	2351·7
Profit on ordinary activities before taxation	**358·4**	358·0	306·7	257·6	242·8
Taxation	**(112·0)**	(112·6)	(96·8)	(75·9)	(77·4)
Profit on ordinary activities after taxation	**246·4**	245·4	209·9	181·7	165·4
Minority interests	**(1·9)**	(·6)	(·8)	(·7)	(1·6)
	244·5	244·8	209·1	181·0	163·8
Extraordinary items	**19·6**	(·9)	(5·7)	1·4	—
Profit attributable to shareholders	**264·1**	243·9	203·4	182·4	163·8
Dividends	**(114·3)**	(107·8)	(92·6)	(81·2)	(73·6)
Profit retained	**149·8**	136·1	110·8	101·2	90·2
Balance sheets					
Fixed assets	**1577·3**	1551·2	1282·6	666·1	620·2
Investments	**49·7**	3·5	3·3	3·2	4·9
Net current (liabilities)/assets	**(52·2)**	(108·0)	393·5	358·1	319·1
Other creditors	**(117·9)**	(123·4)	(24·3)	(10·1)	(12·4)
Provisions for liabilities and charges	**(23·9)**	(36·1)	(16·4)	(18·5)	(17·3)
	1433·0	1287·2	1638·7	998·8	914·5
Represented by:					
Shareholders funds	**1271·5**	1130·6	1637·3	998·7	913·2
Convertible capital bonds	**155·0**	155·0	—	—	—
Minority interests	**6·5**	1·6	1·4	·1	1·3
	1433·0	1287·2	1638·7	998·8	914·5
Earnings per share	**24·9p**	25·5p	22·6p	19·6p	19·5p
Dividend per share	**11·6p**	11·0p	10·0p	8·8p	8·0p
Dividend cover	**2·1**	2·3	2·3	2·2	2·2
Gearing %	**18·2**	23·1	—	—	—
Interest cover including servicing cost of capital bonds	**7·4**	13·6	—	—	—
Profit on ordinary activities before taxation as % of shareholders funds	**28·2**	31·7	18·7	25·8	26·6
Profit on ordinary activities after taxation as % of shareholders funds	**19·4**	21·7	12·8	18·2	18·1

1990 includes goodwill written off on acquisitions of £660·8m. In 1989 a property revaluation surplus of £568·9m was recorded. Results for 1988 exclude an extra quarter's results arising from the change to coterminous accounting by overseas companies.

Gearing % calculation is based on net debt of £317·0m (1990 £386·3m) expressed as a percentage of net debt, shareholders funds and convertible capital bonds.

DIVISIONAL FINANCIAL RECORD

	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m
Pharmaceuticals Division					
Turnover					
UK (including exports)	**320·9**	324·6	315·4	323·1	284·7
Overseas	**346·4**	293·8	244·5	235·6	213·1
Intra-divisional	**(38·5)**	(34·6)	(35·3)	(39·5)	(30·5)
	628·8	583·8	524·6	519·2	467·3
Profit on ordinary activities before taxation					
UK	**24·1**	35·5	37·3	46·3	53·9
Overseas	**91·0**	75·6	58·0	55·5	30·6
	115·1	111·1	95·3	101·8	84·5
Capital expenditure	**28·5**	23·5	20·9	25·1	26·7
Boots The Chemists Division					
Turnover	**2360·6**	2268·9	2084·0	1928·0	1787·2
Profit on ordinary activities before taxation	**228·8**	190·0	151·0	101·8	95·3
Capital expenditure	**59·4**	75·5	66·0	59·6	45·5
Retail Division					
Turnover					
UK	**621·4**	480·1	75·9	52·2	12·4
Overseas	**59·8**	59·2	145·2	225·0	205·4
	681·2	539·3	221·1	277·2	217·8
Profit on ordinary activities before taxation					
UK	**27·0**	24·3	(2·9)	(2·8)	(1·8)
Overseas	**·3**	(·3)	1·5	(4·1)	(1·4)
	27·3	24·0	(1·4)	(6·9)	(3·2)
Capital expenditure	**38·2**	30·7	15·0	20·6	17·2
Property Division					
Turnover	**·7**	—	—	—	—
Profit on ordinary activities before taxation					
Development	**·2**	—	—	—	—
Net rents	**46·5**	39·2	34·4	31·8	31·3
Profit from property sales	**13·4**	15·2	11·7	21·3	21·0
	60·1	54·4	46·1	53·1	52·3
Capital expenditure	**38·7**	21·4	16·0	14·2	9·7

Turnover of Pharmaceuticals Division includes sales to Boots The Chemists Division.
A change in the basis of pricing of goods sold by Pharmaceuticals Division to Boots The Chemists Division resulted in a reduction in Pharmaceuticals Division turnover of £21·7m and a transfer of profit of £11·4m to Boots The Chemists Division in 1989.
Results for 1988 exclude an extra quarter's results arising from the change to coterminous accounting by overseas companies.
The divisional financial record should be read in conjunction with the footnote to note 2a on page 35.

FINANCIAL CALENDAR

1991

6th June	Results and final dividend announced
24th June	Report and accounts circulated
25th July	Annual general meeting
22nd August	Final dividend payable
14th November	Interim results and dividend announced

1992

6th February	Interim dividend payable

Capital gains tax

For capital gains tax purposes, market values on 31st March 1982 were as follows:

Ordinary shares of 25p each	112·5p
£100 7¾% loan stock	£62·50

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